

**CALIFORNIA ENERGY COMMISSION**

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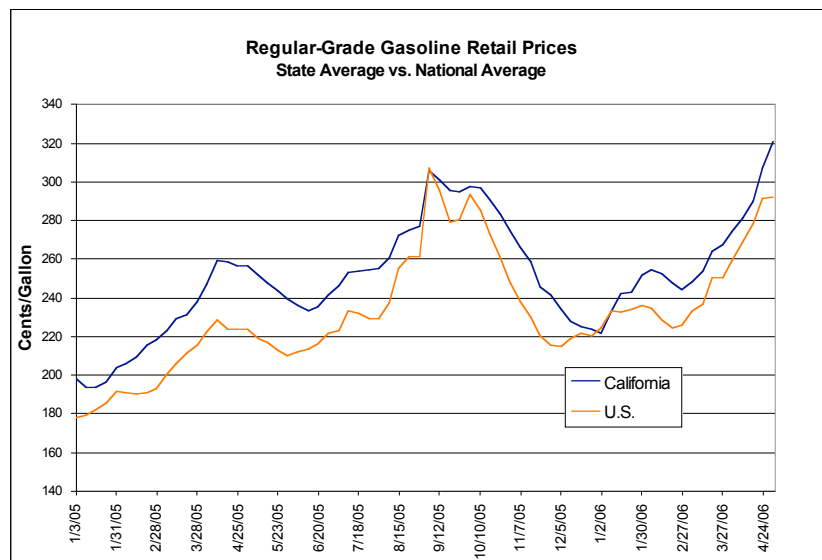
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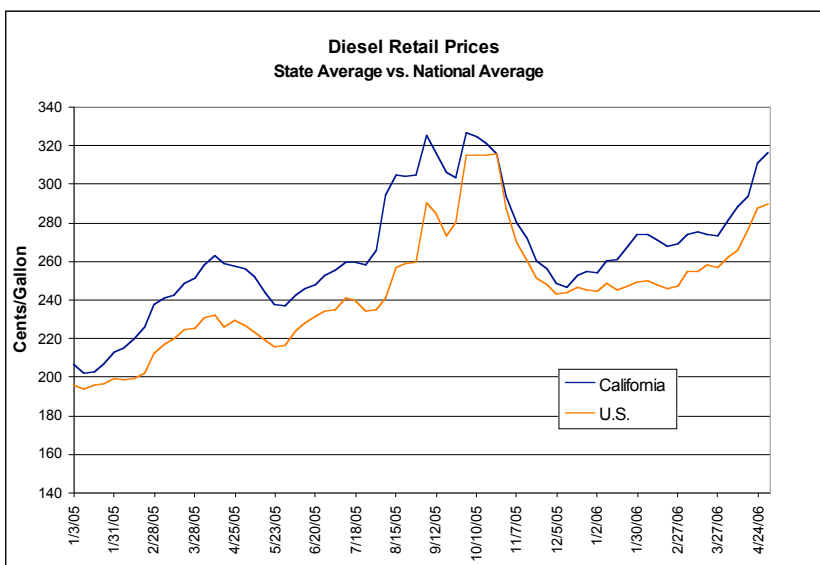
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**Petroleum Watch****May 5, 2006*****Retail Gasoline and Diesel Prices on May 1***

- The average statewide retail price for regular-grade gasoline increased for the ninth consecutive week to a new record-high of \$3.20 per gallon, 13 cents higher than last week and 76 cents more than February 27.
- The difference between California and U.S. retail prices jumped in the last week to 28 cents per gallon, almost 14 cents per gallon higher than the average for March and April.<sup>1</sup>



- The average California retail diesel price rose 6 cents over the previous week to \$3.16 per gallon and is approaching the record-high levels of October 2005. The difference between California and U.S. retail diesel prices has increased to almost 27 cents per gallon.



### ***Wholesale Gasoline and Diesel Prices on May 2***

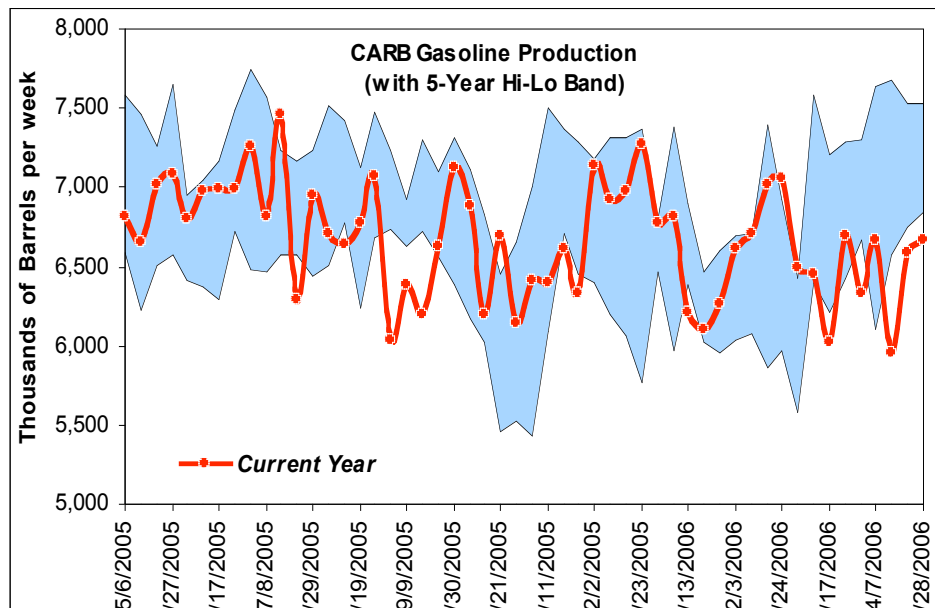
- After steady increases through March and early April, California spot wholesale reformulated regular-grade **gasoline prices** spiked to \$2.70 per gallon on April 18. Prices then retreated to \$2.49 by April 24 before building to another price spike that has reached \$2.97. This is \$1.41 greater than the 2006 low of \$1.56 (February 14).
- Rising crude oil prices, relatively low refinery production, and falling inventories from planned maintenance and unplanned outages have caused much of the increase.
- Although prices nationally have also risen since February with the impending phase-out of methyl tertiary butyl ether (MTBE) in many areas, the difference between California spot prices and those for reformulated gasoline on the Gulf Coast has soared to 79 cents higher in California compared to an average 19 cents more during March and April.
- California spot wholesale low-sulfur **diesel prices** continue to trade in a much narrower range than gasoline during 2006, but the trend is likewise one of steady increases. Prices have reached \$2.53 per gallon, 79 cents higher than the 2006 low of \$1.74 on February 15.
- The California wholesale diesel price has jumped to 34 cents higher than the Gulf Coast, compared to an average of 13 cents more during March and April. The difference between California gasoline and diesel spot prices has also grown sharply in the last week from 14 cents more for gasoline as of April 25 to 44 cents currently.

This has caused average California retail gasoline prices to exceed retail diesel prices for the first time since May 2005.

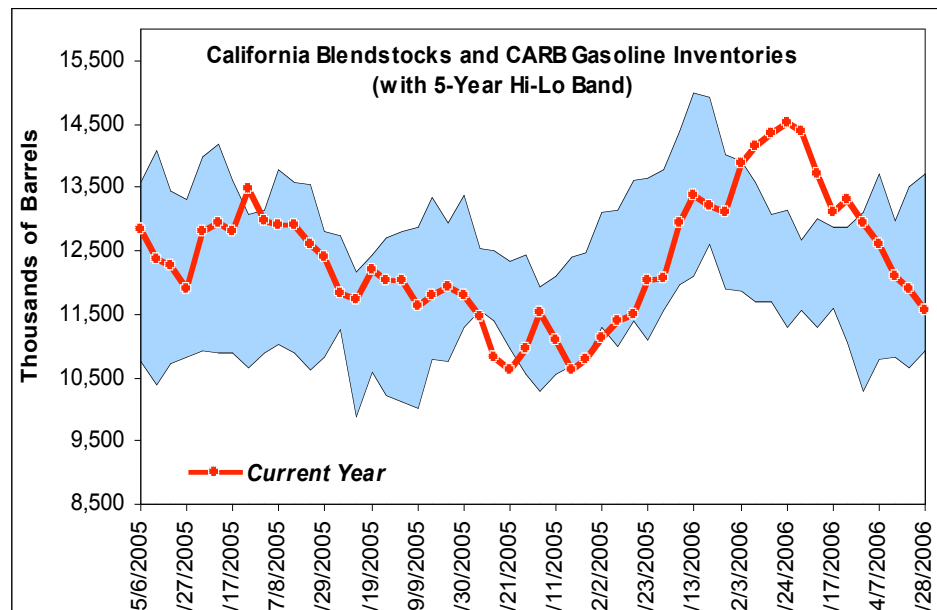
- The Energy Information Administration weekly assessment for April 28 reports that **U.S. gasoline demand increased 1 percent** from the previous week, while distillate demand jumped 7 percent. The four-week average demand for gasoline is 9.127 million barrels per day, 0.2 percent less than last year. The four-week average for U.S. distillate demand is 4.084 million barrels per day, **down 3 percent from last year.**

### ***Refinery Production and Inventories***

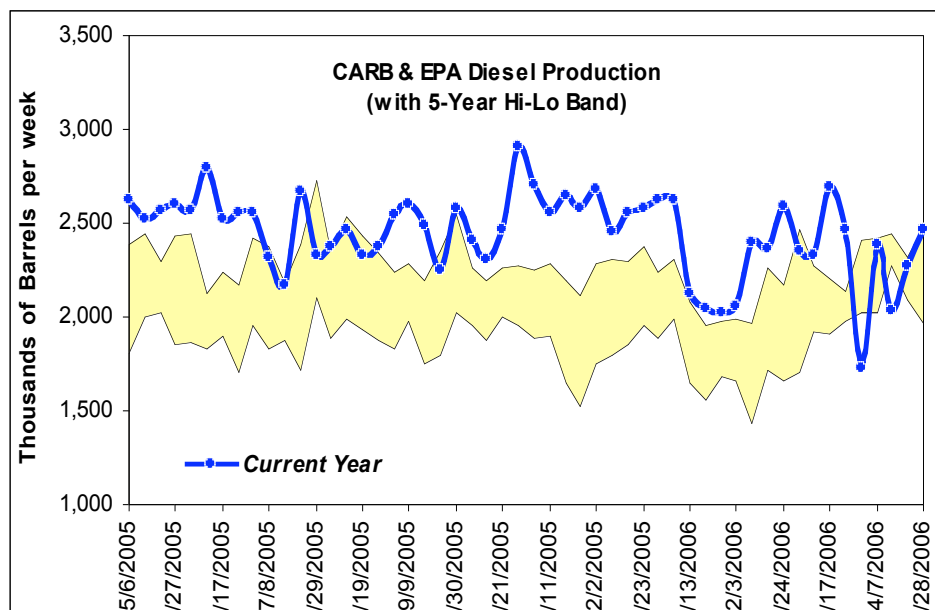
- Reformulated gasoline production in California during the week ending April 28 increased 1.3 percent from the previous week to almost 6.7 million barrels but is 5.4 percent less than last year. Substantial ongoing refinery maintenance and unplanned outages have kept output at the lower end of the five-year range for almost two months.<sup>2</sup>
- California reformulated gasoline inventories fell 2.7 percent from the previous week, while gasoline blendstock inventories dropped by 3.1 percent. Refiners have drawn down the large inventory they built up during February in anticipation of the maintenance season. Combined inventories of reformulated gasoline and gasoline blendstocks in the state have fallen to 11.6 million barrels, at the lower end of the five-year range and 3.3 percent lower than last year.



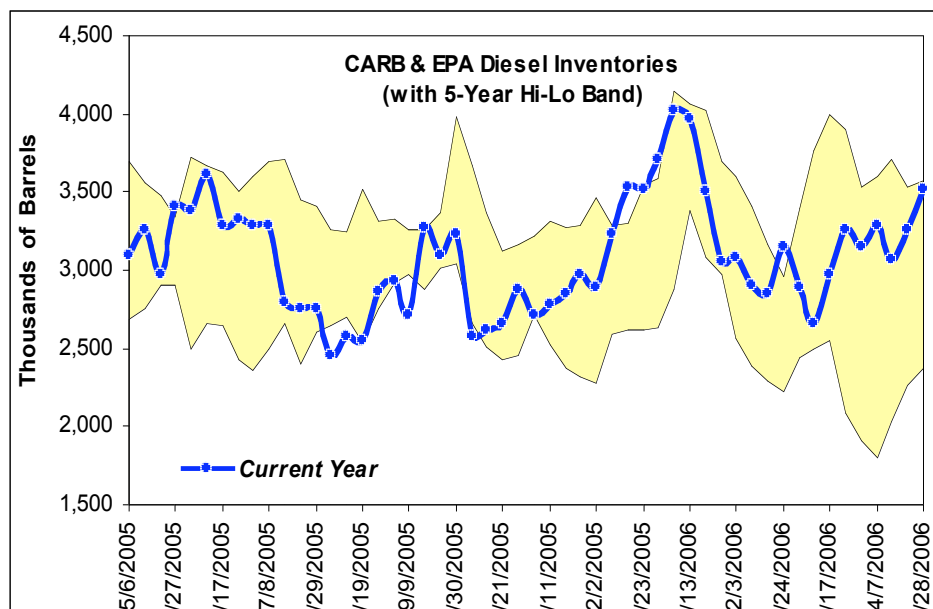
- Meanwhile, U.S. gasoline inventories broke an eight week streak of declines, increasing 2.1 million barrels from the previous week to 202.7 million barrels as of April 28.



- California production of low-sulfur diesel during the week of April 28, including both California diesel and U.S. Environmental Protection Agency (EPA) diesel, has recovered from the last month's erratic levels, increasing 8.7 percent from the previous week and returning to the upper end of the five-year range.

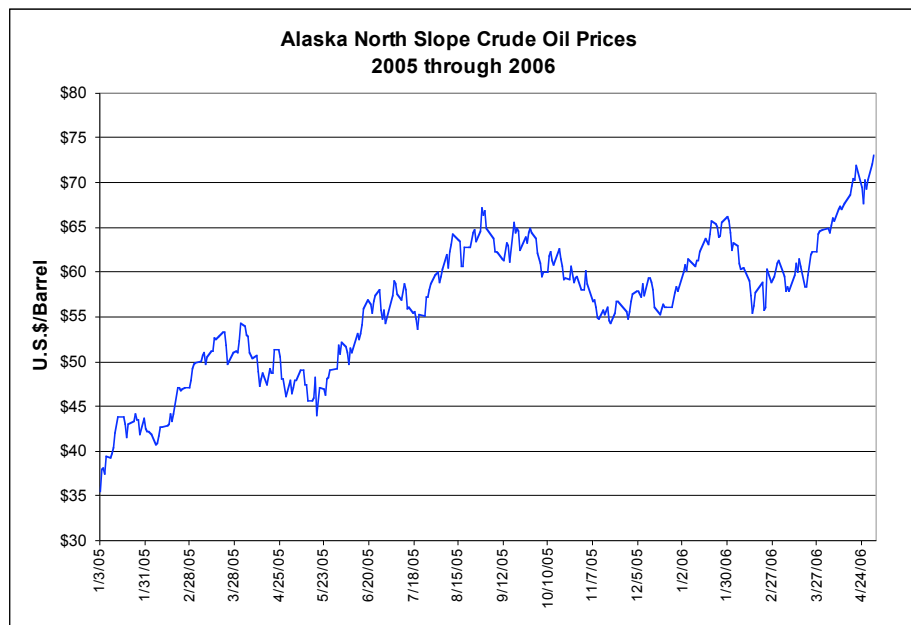


- Combined low-sulfur diesel inventories in the state increased 8 percent from the previous week to 3.5 million barrels, also near the upper end of the five-year range. U.S. distillate inventories dropped 1.1 million barrels from the previous week to 114.5 million barrels as of April 28 but are still 12.2 million barrels more than last year.



### **Crude Oil Prices and Inventories**

West Coast prices for Alaska North Slope (ANS) crude oil, an important refinery feedstock for California, breached the \$70 per barrel threshold for the first time on April 19, before setting another record-high of \$71.87 two days later. Geopolitical concerns continue to provide the primary impetus to these price increases. Technical problems at the Yoho terminal in Nigeria, when added to ongoing production cuts elsewhere in the Niger Delta due to militant attacks, temporarily cut production in the country by almost 700,000 barrels per day, or more than 25 percent. Elsewhere, Bolivia has essentially nationalized all oil and natural gas resources in the country, including seizing refineries and service stations. The governments of Ecuador and Venezuela have imposed new contract conditions and taxation regimes on oil companies in those countries aimed at keeping more revenues in country, but also creating uncertainties about future foreign investment. Iran continues to defy U.S. and European efforts to halt its program of nuclear development, setting up an impending confrontation before the U.N. Security Council. ANS prices established a new record of \$72.88 per barrel on May 2.<sup>3</sup>



- U.S. commercial crude oil inventories increased to 346.7 million barrels as of April 28, the highest levels since May 1998. This is 1.7 million barrels more than the previous week, 19.7 million more than last year, and 35.2 million more than the five-year average. Crude oil stocks continue to increase despite higher refinery runs, lower crude oil imports, and lost oil production along the Gulf Coast from last year's hurricanes. President Bush has temporarily suspended deliveries into the Strategic Petroleum Reserve to make more oil available to the market.
- The return of offshore crude oil production in the Gulf Coast has slowed in recent months, and a substantial amount remains off-line. According to the latest available Minerals Management Service report, as of May 3 almost 22 percent of U.S. Gulf of Mexico offshore oil production, or 324,445 barrels per day, remains shut down from last year's hurricanes. Almost 154 million barrels of crude oil production have cumulatively been lost to these hurricanes since late August, about 28 percent of annual Gulf of Mexico offshore oil production.

<sup>1</sup> Spot wholesale and retail gasoline and diesel prices are from the Energy Information Administration of the U.S. Department of Energy.

<sup>2</sup> California refinery production and inventory information are from the Petroleum Industry Information Reporting Act (PIIRA) database maintained by the California Energy Commission.

<sup>3</sup> ANS crude oil prices are from *The Wall Street Journal*. U.S. crude oil and product inventory estimates are from the Energy Information Administration of the U.S. Department of Energy.